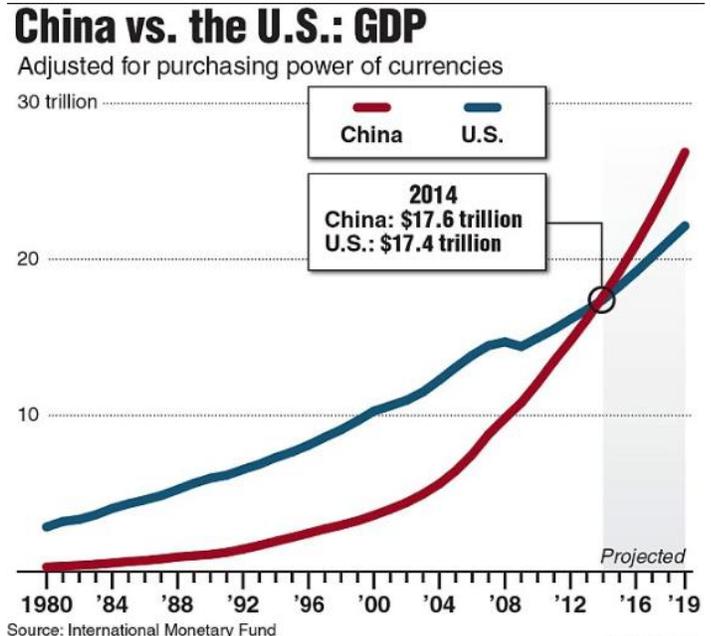


## 8.16 Chinese Model: State Directed Capitalism and a Non-Democratic Society

**Background:** Historians analyze the past; they do not predict the future. Yet it is tempting to anticipate where trends will lead to significant change. Since the 1980s, the Chinese model for economic growth and governance has produced astounding results making China's economy the second largest in the world. It is based on state-sponsored capitalism absent democratic rights people are accustomed to in western countries. This is an edited New York Times op-ed written by Steven Rattner, a counselor in the Treasury Department during Obama administration and a Wall Street executive.

### Questions

1. What is the Chinese model?
2. How does the Chinese economic and political model differ from the United States?
3. Based on the Rattner report, what would you recommend to American political and economic leaders? Why?



### Is China's Version of Capitalism Winning? (New York Times, March 27, 2018)

**Source:** <https://www.nytimes.com/2018/03/27/opinion/china-economy-state-capitalism-winning.html>

A. President Trump's attacks on Chinese trade practices may be garnering the headlines, but underpinning that dispute lies a more consequential struggle, between liberal democracy and state-directed capitalism. Of late, it's a competition in which the Chinese approach has been delivering the more robust economic result. Indeed, implicit in the ferocity of the Trump administration's attacks on China's protectionism is the success of that nation's economy. Skeptics notwithstanding, China's model, which has brought more people out of poverty faster than any other system in history, continues to flourish, as I've seen firsthand in a decade of regular visits. Meanwhile, liberal democracy — the foundation of the post-World War II order — is under pressure, most significantly for having failed in recent years to deliver broadly higher standards of living.

B. China is driving hard toward its "Made in China 2025" plan, an ambitious set of objectives to upgrade Chinese industry so that, among other things, it can manufacture its own high-value components, like semiconductors. And while we retreat internationally, China's One Belt One Road Initiative will physically connect China to more than 65 percent of the world's population . . . To be sure, China is a long way from overtaking the United States. Its gross domestic product per person is just \$9,380, compared with \$61,690 in the United States. Less visible than the sleek modern skyscrapers that now dominate China's cityscapes are the 700 million people — about half of China's population — who still live on \$5.50 per day or less.

C. China continues to build airports, subway systems, renewable-energy facilities and the like at a torrid pace. Even its longstanding pollution problem is being addressed. In the past four years, China has succeeded in cutting concentrations of one pollutant — fine particulates — by 32 percent, roughly what it took the United States 12 years to achieve after passage of the Clean Air Act in 1970. Next up, artificial intelligence. In mid-2017, China announced a plan to become a global leader in artificial intelligence by 2030, sending shudders through American policy circles.

D. China, despite its Communist heritage, understands the benefits of incorporating a robust free-enterprise element. Beijing bustles with Internet entrepreneurs. Venture capitalists are pouring vast sums into a dizzying array of start-ups, including in prosaic industries like retailing. And an increasing number of "national champions" are expanding beyond China's borders.